

UNITED STATES OF AMERICA  
FEDERAL TRADE COMMISSION

COMMISSIONERS: Robert Pitofsky, Chairman  
Mary L. Azcuena  
Janet D. Steiger  
Roscoe B. Starek, III  
Christine A. Varney

File No. 972-3127

ORDER TO FILE SPECIAL REPORT

Pursuant to a resolution of the Federal Trade Commission dated April 15, 1997, entitled "Resolution Directing Use of Compulsory Process in Nonpublic Investigation," a copy of which is enclosed, Philip Morris Incorporated, hereinafter referred to as "the company," is ordered to file a Special Report with the Commission not later than June 20, 1997 containing the information specified herein. Much of the information requested for this report is to be filed electronically, as it was last year.

Your report is required to be subscribed and sworn to by an official of the company who has prepared or supervised the preparation of the report from books, records, correspondence, and other data and material in your possession. If any question cannot be answered fully, give such information as is available to you and explain wherein and why your answer is incomplete. Please supply written answers to the following questions:

1. The subscriber to your report is to give his or her full name and business address and state his or her official capacity.
2. State the full name of the company and its official address, and its date and state of incorporation.
3. State whether the company is a subsidiary company; whether the company has a subsidiary company; report the same information specified in item two (2) as regards each parent or subsidiary.

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4. Report the total number of cigarettes sold in the United States by the company and any of its subsidiary or parent companies during calendar year 1996.
5. Report the total dollar value for total cigarette sales in the United States by the company and any of its subsidiary or parent companies during calendar year 1996.
- 6A. State whether the company or any of its subsidiary or parent companies paid any money or compensation, or made any other contribution, including but not limited to, goods or services, in connection with any production or filming of any motion picture(s) or television show(s) during calendar year 1996. If so, please state which show(s) or movie(s), and the dollar value of each payment or contribution.
- 6B. State whether the company, any of its subsidiary or parent companies, or any other persons working for or on behalf of any of the foregoing, paid any money or compensation, or made any other contribution (including, but not limited to, goods or services) during calendar year 1996, to any individual, partnership or corporation engaged in the business of product placement in motion pictures or television shows. If so, please identify: the person who made the contribution; the recipient of the payment or contribution; the nature and amount of the payment or contribution; and the name of each and every motion picture or television show in which any company product appeared in return for such payment or contribution.
7. Report the dollar amount expended during calendar year 1996 by the company and any of its subsidiary or parent companies on cigarette advertising, merchandising or promotion in each category specified in items 25 through 40 of the "Reportable Expenditures" section of this Order. Each category should be totaled separately.
- 8A. List all varieties of cigarettes that were first offered for sale in the United States during calendar year 1996.
- 8B. List all varieties of cigarettes that were discontinued from sale in the United States during calendar year 1996.

## INSTRUCTIONS FOR COMPLETING THE CIGARETTE ADVERTISING DATAFILE

The Commission is continuing to request the information specific to each variety of cigarette produced by your company in a computer readable format. The instructions below provide detailed information on how to complete each field of the Cigarette Advertising Datafile. For the 1996 submissions, we have provided reference tables for brand numbers, variety numbers, and each of the eight descriptors used by the FTC to classify cigarette varieties. Please refer to these tables when entering data.

The term "variety of cigarette" refers to cigarettes that could have been differentiated by consumers according to any of the information reported in Fields 6 through 13 (Brand name and advertising descriptors). Separate production runs, minor changes in tar or nicotine and other minor modifications in any variety reported upon need not be reported separately.

The Commission uses Access database software. It can also accept database and spreadsheet file formats from DBASE, FoxPro, Lotus, Quattro-Pro, Excel, Delimited and Paradox software systems. If files can not be produced in these formats, they should be prepared in industry standard, comma-separated ASCII format. If you have any technical questions regarding completion of the datafile, please direct your questions to:

Frank M. Curtin  
Chief, Litigation and Economic Consulting  
Information Systems Support Division  
(202) 326-2280

### **EXPLANATION OF DATAFILE STRUCTURE:**

Attachment A labeled "Standard Report" contains field names and field types for the Cigarette Advertising Datafile. Each field is described below:

#### **FIELD DEFINITIONS:**

Each record contains 46 fields of data. The first 5 fields in the file are used to create an unique identifier for each variety of cigarette.

1. YEAR (Year): Numeric field. Refers to the calendar year for which information is being reported. Entered as '19XX'.

2. COMPCODE (Company Code): Character field. Enter letter assigned for your company:

Brown & Williamson	B
Liggett	C
Lorillard	D
Philip Morris	E
R.J. Reynolds	F

3. BRANDNO. (Brand number): Numeric field. Entered as values 01 to 99. Enter assigned number for existing brands. If new brand, FTC will assign number.

4. VARIETY (Variety code): Numeric field. Entered as values 01 to 99. Enter assigned number for existing brand varieties. If new variety, FTC will assign number.

5. NUM (Number per pack): Numeric field. Entered as 1, 2, or 3. Refers to the pack size in which the variety is typically offered for sale (20=1, 25=2, All Other=3).

The next eight fields include the brand name and marketing / physical characteristics that make the variety unique. These descriptors have been organized into specific fields for 1996 and placed in order to correspond with the format for cigarettes tested by the Tobacco Institute. Please enter the descriptors in the appropriate fields.

6. BRAND-NAME (Brand name): Character field. Refers to the brand identified on the cigarette pack or in advertising. If the product is a generic or private label cigarette, indicate "generic," and complete a separate record for each distinct variety. This field has been expanded to 30 characters to allow for longer brand names.

7. CR-LENGTH (Marketing description of length): Character field. This field is eight characters long and can contain a number or term.

8. CR-FILTER (Marketing description of filter): Character field. This field is eight characters long.

9. CR-PACKAGE (Marketing description of packaging): Character field. This field is eight characters long.

10. CR-STRENGTH (Marketing description of cigarette taste/strength): Character field. This field is eight characters long.

11. CR-FLAVOR (Marketing description of cigarette flavoring): Character field. This field is eight characters long.

12. CR-STYLE (Marketing description of special attributes of a variety): Character field. This field is eight characters long.

13. CR-OTHER (Marketing descriptors not falling into standard categories): Character field. This field is eight characters long.

The next two fields are used to record the variety's units sold, and the dollar value of those units.

14. VARUNITS (Variety units): Numeric field. Report one figure for units sold of this variety in the United States during the calendar year covered by the Report. Sales in the United States include:

- (a) all sales within the 50 states, the District of Columbia and United States territorial possessions;
- (b) all sales to members of the Armed Forces of the United States located outside the 50 states, the District of Columbia and United States territorial possessions; and
- (c) all sales for delivery to a vessel or aircraft of the Armed Forces of the United States, as supplies, for consumption beyond the jurisdiction of the internal revenue laws of the United States.

15. VARSALES (Variety-sales): Numeric field. Report figure for dollar sales of this variety in the United States for the calendar year covered by this Report.

16. VARPERCENT (Variety unit sales percent): FTC calculated field value, enter 0 here.

17. CIGLENGTH (Cigarette length in millimeters): Numeric field. Three digits. Enter cigarette length in millimeters.

18. FILCODE (Filter code): Character field. One character in length. Enter "F" for filtered or "N" for non-filtered.

19. FLAVOR (Flavoring): Character field. One character in length. Enter "M" for menthol, "N" for non-flavored, "O" for other flavored.

20. PACKTYPE (Packaging): Character field. One character in length. Enter "S" for soft-pack, "H" for hard-pack.

21. LASTSOLD (Date last sold): Numeric Values as YYMMDD (no slashes).

The next three fields are used to record the tar, nicotine and carbon monoxide yield of the particular variety of cigarette. Where the variety was tested by the Tobacco Institute Testing Laboratory, the TITL values will be used; where varieties were unavailable for TITL testing, company data will be used. Please round tar and carbon monoxide figures to the nearest whole mg. Please round nicotine figures to the nearest tenth mg. The FTC will continue to report these results in the Federal Register the same way it has done in the past, with tar and CO ratings that are less than 0.5 mg reported as <0.5, and 0.5 or more as 1 mg. Nicotine ratings that are less than 0.05 will be reported as <0.05 mg, and 0.05 mg or more will be reported as 0.1 mg.

22. TAR (Tar): Numeric value, range 0 to 99.
23. NICOTINE (Nicotine): Numeric value, range 0.0 - 9.9.
24. CO (Carbon Monoxide): Numeric value, range 0 - 99.

#### REPORTABLE EXPENDITURES:

The next seventeen fields are used to record advertising expenditures for the specific categories requested by the FTC. Please provide information for items 25 through 40 rounded to the nearest whole dollar. Please do not express in hundreds or thousands.

25. CAT-A-EXP (Category-A Expenses): Newspaper advertising but excluding, if practicable, those expenditures covered by Categories I, J, K or M, which should be reported in those categories.
26. CAT-B-EXP (Category-B Expenses): Magazine advertising but excluding, if practicable, those expenditures covered by Categories I, J, K or M, which should be reported in those categories.
27. CAT-C-EXP (Category-C Expenses): Outdoor advertising but excluding, if practicable, those expenditures covered by Categories I, J, K or M, which should be reported in those categories.
28. CAT-D-EXP (Category-D Expenses): All expenditures for audio-visual or video advertising on any medium of electronic communication not subject to the jurisdiction of the Federal Communications Commission. This category includes, but is not limited to, advertisements on: screens at motion picture theaters, television screens or monitors in residential dwellings, as in certain televised programs and through video cassette entertainment products; and television screens or monitors in commercial establishments, such as video arcades. This category does not include expenditures for advertising on the Internet, which should be reported in Category N below.

29. CAT-E-EXP (Category-E Expenses): Advertising in or on public transportation facilities but excluding, if practicable, those expenditures covered by Categories I, J, K or M, which should be reported in those categories.

30. CAT-F-EXP (Category-F Expenses): Direct mail advertising but excluding, if practicable, those expenditures covered by Categories I, J, K or M, which should be reported in those categories.

31. CAT-G-EXP (Category-G Expenses): Point of sale advertisements but excluding, if practicable, those expenditures covered by Categories H, I, J, K or M, which should be reported in those categories.

32. CAT-H-EXP (Category-H Expenses): Promotional allowances paid to retailers and any other persons (other than full-time company employees who are involved in the cigarette distribution and sales process) in order to facilitate the sale of any cigarette but excluding, if practicable, those expenditures covered by Categories A-F, which should be reported in those categories.

33. CAT-I-EXP (Category-I Expenses): Sampling of cigarettes, including the costs of the cigarettes themselves and the costs of organizing, promoting and conducting sampling.

34. CAT-J-EXP (Category-J Expenses): All costs of distributing items other than cigarettes, including the cost of such items, whether distributed by sale, redemption of coupons, or otherwise, including all items which do and/or do not bear the name or depict any portion of the package of any variety of cigarettes sold by the company. The expenditures reported in this item shall be the net cost to the company, i.e., payments received from consumers for such items shall be deducted. Whenever such activities are combined with cigarette sampling, the expenditures connected therewith shall be reported solely in Category I. When such activities are combined with the sale of cigarettes, such as when a non-cigarette item is blister-packed to a package or packages of cigarettes, the expenditures connected therewith shall be reported solely in Category M.

35. CAT-K-EXP (Category-K Expenses): Public entertainment events bearing or otherwise displaying the name of the company or any of its cigarettes. This item includes all expenditures made by the company in promoting and/or sponsoring such events.

36. CAT-L-EXP (Category-L Expenses): Endorsements and testimonials but excluding, if practicable, those expenditures covered by Categories A-G, or category K, which should be reported in those categories. This item includes, but is not limited to, all expenditures made to procure cigarette use, or the mention of a cigarette product or company name, or the appearance of a cigarette product or name, or package, in any situation (e.g., motion picture, television show or program, stage show, public appearance by a celebrity) where such use, mention or appearance may come to the attention of the public.

37. CAT-M-EXP (Category-M Expenses): Coupons and retail value added expenditures. Retail value added includes all expenditures and costs associated with the value added to the purchase of cigarettes including but not limited to, buy one get one free, buy two get one free, or buy cigarettes and get a free promotional item. Coupons include all expenditures and costs associated with coupons for the reduction of the retail cost of cigarettes, whether redeemed at the point of sale or by mail, including but not limited to all costs associated with advertising or promotion, design, printing, distribution and redemption.

38. CAT-N-EXP (Category-N Expenses): All expenditures for advertisements on the Internet, including but not limited to the World Wide Web, and on commercial on-line services. This category includes, but is not limited to: spending on all Internet sites and pages, hyperlinks and banners on third party sites, newsgroups, and on-line advertisements that can be accessed by computers located in the United States, regardless of where the site is located or the Internet address of the site or page; and all sites and pages, hyperlinks and banners on third party sites, or newsgroups that include the name, logo, symbol, motto or selling message of a brand of cigarettes, or are referred to in any other cigarette advertisement, regardless of whether the site, page, hyperlink or banner is promoting the sale of cigarettes. Please include expenditures associated with such ads paid for by the company or any of its parent or subsidiary companies. Expenditures include, but are not limited to, the cost of developing, creating, maintaining, monitoring, and updating the site, page, banner, or other form of on-line advertisement, whether located on systems maintained by the company or by third party advertisers, commercial online services, or Internet World Wide Web host providers.

39. CAT-O-EXP (Category-O Expenses): Any advertising or promotional expenditures not covered by another reporting category. Specify the total amount on the form and briefly describe the specific subject matter of each such expenditure.

40. TOT-ADV-EXP (Total Reportable Expenditures): Refers to reportable expenditures for the variety as defined in the appropriate explanatory notes. The figure provided for total reportable expenditures should equal the sum of the expenses listed in Categories A-N for the variety.

41. SPORTS-EXP (Sports and Sporting Events): The expenditures reported in this category are intended to be duplicative of expenditures listed above on lines 25 through 39 and totaled on line 40. Do not report any expenditures on this line that have not also been reported on lines 25 through 39. For example, advertising expenditures for a sporting event that appears in a newspaper would be reported on line 25 and on line 41; a miscellaneous advertising expenditure for promotion of a sports or racing team would be reported on lines 39 and 41.

Report all items that include but are not limited to all expenditures connected with or related to the sponsoring, advertising or promotion of sports or sporting events, including any racing or automotive events, support of an individual, group, sports, or racing team, and purchase of or support for sports or racing equipment, uniforms, sports or racing facilities and or training

facilities, and all expenditures for advertising including but not limited to print, television, radio, billboards, banners, etc. in the name of the company or any of its cigarette brands in a sports or racing facility, on a scoreboard or in conjunction with the reporting of sports or racing results; and all expenditures connected with the production, offer, sale, or provision without fee of all functional promotional items at or in connection with a sporting or racing event, including but not limited to, clothing, hats, bags, posters, sporting or racing goods and equipment.

42. Were the variety's tar and nicotine ratings disclosed on the cigarette pack?

1. Yes
2. No

The last four fields are used by the FTC to hold additional brand and variety data and to store additional identifier data for specific varieties of cigarettes.

43. BRAND-SALES (Brand unit sales): FTC calculated field value, enter 0 here.

44. BRAND-DOLLARS (Brand dollar sales): FTC calculated field value, enter 0 here.

45. UP-CODE: Numeric value, enter industry standard bar-code value for product as printed on the pack.

46. INSTITUTE CODE (Tobacco Institute testing code): FTC will fill in value, please enter 'XXXXXX' (6 characters).

#### OTHER EXPLANATORY NOTES

Expenditures on lines 25 through 39 should be included in only one category. Expenditures for line 41 (sporting events) are duplicative of expenditures reported on lines 25 through 39. Reportable expenditures (line 25 through 39) should equal the total on line 39, and should equal the total cost to the company of administering the activity involved, including commissions and other payments made to separate organizations such as advertising agencies. Such expenditures should not include the costs of employing full-time employees of the company or any overhead expenses attributable to the activities of such company employees.

For the purposes of the Cigarette Report, the term "advertising" refers to all activities relating to cigarettes that are intended or likely to be seen or heard by members of the public. The term "advertising" does not refer to and should not be construed to include: (1) company or divisional names, when used as such within the context of an advertisement relating to cigarettes; (2) signs on factories, plants, warehouses and other facilities related to the manufacture or storage of cigarettes; (3) corporate or financial reports; (4) communications to security holders of

the company and to others who customarily receive such communications; and (5) employment advertising.

The cost accounting procedure to be used in assigning an expenditure to a particular calendar year shall be the accrual rather than the cash basis method of accounting.

In allocating reportable expenditures among brand varieties, the following guidelines should be followed:

(1) If the accounting or bookkeeping records of the company confirm that a particular expenditure related to only one variety of a brand, the expenditure should be entered in the appropriate category on the report sheet for that variety.

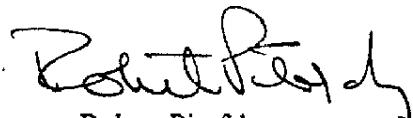
(2) If the expenditure related to more than one variety, or the accounting or bookkeeping records of the company do not reflect to which variety or varieties the expenditure related, the expenditure should be allocated among the smallest number of varieties that can be identified as having been the subject of the expenditure. Such allocation should be based on the unit sales of the variety or varieties involved. For example, to the extent not already allocated, brand advertising should be allocated among all varieties within the brand according to the share of that variety of the total sales of the brand.

It is recognized that certain of the allocations required by the guidelines set forth above will be arbitrary. In making the requested allocations, the company involved is not being asked to certify or warrant that the allocations precisely reflect either the subject or intent of the expenditures being reported.

You are advised that penalties may be imposed under applicable provisions of federal law for failure to file special reports or for filing false reports.

The Special Report called for in this Order is to be filed on or before June 20, 1997.

By direction of the Commission.



Robert Pitofsky  
Chairman

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Date of Order: April 15, 1997

The Report required by this Order, or any inquiry concerning it, should be addressed to the attention of:

Phillip S. Priesman  
Federal Trade Commission  
Division of Advertising Practices  
Washington, D.C. 20580